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CENTRAL INTELLIGENCE AGENCY

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S-E-C-R-E-T COUNTRY REPORT Yugoslavia 29 June 1955 Economic and Political Situation DATE DISTR. SUBJECT 25X1 in Yugoslavia NO. OF PAGES RD 25X1 REQUIREMENT NO. DATE OF INFO. This is UNEVALUATED NCES PLACE ACQUIRED 25X1 Information DATE ACQUIRED COURCE EVALUATIONS ARE DEFINITIVE. APPRAISAL OF CONTENT IS TENTATIVE. 25X1 urgency of private foreign capital investments in Yugoslavia. 25X1 Wood and copper are plentiful in Yugoslavia; labor is the cheapest in any European country equipped to build shipping; superior marine engineers and well-qualified designers are available. But, radar equipment, engines 25X1 and engine parts are urgently needed from abroad; only foreign investment can save Yugoslavia from losing these important orders. 25X1 need for Yugoslavia to enter serious negotiations with Eastern countries which could supply strategic items to keep Yugoslavia's "peace-time economy afloat". 25X1 2. An even greater number of Bulgarian, Czech and Polish commercial missions were observed in Yugoslavia during April and May 1955 than in February 25X1 and March 1955. In April, the chief of a Bulgarian delegation was offering tobacco and attar of roses in exchange for plastics and vegetables. 40 percent of the Yugoslav allocation for all 25X1 foreign pharmaceutical purchases is now earmarked for East Germany, Poland and Czechoslovakia. Havlicek (fnu), the chief of Astra in Zagreb, negotiating an affiliated with Interexport in Belgrade, is agreement for extensive export to Yugoslavia of items ultimately destined for the Satellites and Communist China. One of the main purposes behind 25X1 the designation of Vladimir Popovic, a protege of Tito, as Yugoslav Ambassador to Red China is the desire to promote trade between the two 25X1 countries. The Yugoslavs are greatly concerned over their balance of payments prob-25X1 lem, realizing at last, or at least openly, that short-range solutions 25X1 S-E-C-R-E-T STATE EV X ARMY X NAVY (Note: Washington distribution indicated by "X"; Field distribution by "#".) INFORMATION

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are no longer the answer	. They are counting on further	Western economic	,
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open up extensive re-exp "switch" or barter or co of trade. There is a gr tegic trade, and the fee	ope that additional trade with cort opportunities, permitting Yome up with hard currencies throwowing tendency to overlook violating is general that strict enformations and the strict enforces are supposed in the strict enforces and the strict enforces are supposed in the strict en	ugoslavia to ugh manipulation ations in stra- orcement of con-	25X1
their most pressing prob socialization of the ag compulsion can bring it afford at this critical and other sectors of the following up the charges	adders are counting on a good had lems. There is no intention to ricultural sector, but leaders a about and compulsion of the pear time. In the meantime, they are economy with waste and ineffic- with fines, publicity, and stra- tion of various sectors of the	forego the eventual recognize that only sants they cannot e charging peasants iency and are onger economic	25X1
is one of the most serio program is under way to	ous handicaps today and an inten- correct the most flagrant abuse Tugoslay commercial circles is the	sive educational	25X1
tion is only a fake". Nunder more stringent fed seven years. This is pa	Numerous commercial enterprises : eral restrictions than at any tricularly true where foreign coded in imports and exports with	find themselves ime in the past redits are involved	
international affairs. is at hand and that Yugo solidify its role as one have expressed the view	Yugoslar international picture and Yugoslar international picture and Yugoslar The feeling is that an indefinitional will take an increasing to of the great neutrals. Influentiat the West should accept Soviet believe that the Soviet move	slavia's role in te period of peace number of steps to ntial Yugoslavs iet overtures for	
treaty with Austria was the decision to pay a st would-be independent and the present Soviet leade as an individual, as hi since he came to power.	a significant change in Soviet move a significant change in Soviet cate visit to Tito could not fail neutralist powers with the good riship. Even the peasants are rules personal prestige has reached Some Yugoslavs have expressed ever before to achieving his dr	policy and that 1 to impress other d intentions of esponding to Tito, its highest level the opinion that	25X1
Yugoslav talks (possibly	be given the green light during of in exchange for Yugoslav supported but neutral Germany). Fede would wastl	rt of a Soviet-	25 X 1
vis-a-vis Greece and Tur	key in the Balkan Alliance. On	the other hand,	∠U ∧ 1
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	The current demobilization program involving some 75,000 officers and non-	
٠0.	commissioned officers in the Yugoslav Army is not so much a demobilization as a purge of unreliable elements. Vacancies are promptly filled by	25X1
	vigorous, well-trained youth dedicated to Titoist Communism. At the same	207(1
. •	time the Yugoslavs have an extensive civilian mobilization program with regular classes for youths and adults in plane recognition, air-raid	
	warden training, use of rifles and emergency medical care. While there is greater confidence about peace in the future than in 1953, at the same	
	time the Yugoslavs maintain intensive home-defense programs which counter- act their professions of peace. In this connection	05)//
	the Yugoslav Government is basically opposed to West German rearmament because it imposes on Yugoslavia the obligation	25 X 1
	to take a public stand on an issue where "the government is divided". The Yugoslav Army's recent refusal to permit the Slovene Government to develop	•
	a large natural gas field in what it considered to be a strategic area is cited as further proof of the insincerity of the proponents of peace.	
	Furthermore, Yugoslav Army Commissars are increasingly active. There has been a noticeable increase in the number and frequency of so-called orien-	
Г	tation lectures.	05)/4
Ll.		25 X 1
12.	With reference to the various members of the Executive Committee, it is	
	reported that Aleksandar Rankovic is being built up by Tito where ever possible. However, Rankovic has no real popularity among the people	
	and even with Tito's ardent endeavor, he is making little headway as a leader. Edward Kardelj lost much prestige in the Djilas affair; he still	
	feels the punishment was not severe enough. With the possible exception of Kardelj's efforts to go farther than normalization with the USSR which	
	may have contributed to the Russian overture to Tito, Kardelj has very little	
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to say regarding top policy decisions. These rest exclusively with Tito, who some consider has made concessions to the Kardelj wing in accepting Russian overtures. Koca Popovic and Kardelj are in basic opposition on many issues. Kardelj turned thumbs down to Koca Popovic's suggestion that Austria and Italy and Yugoslavia sit down together to discuss mutual economic interests in Trieste.

13. With regard to nationality antagonisms, it is reported that the antagonisms between Serb and Croat, Slovene and Montenegrin are more alive at the middle Party level than ever before. The top level leaders deny the existence of antagonisms but realize the problem is by no means solved. No figure is permitted to be a "strong man" in the individual republics; even the Croatian Prime Minister Bakaric has lost some of his authority. A strong Tito man, Bakaric has yielded certain of his powers in the economic sector to socalled economic "experts".

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